

Utah State Building Board

MEETING

October 18, 1999

MINUTES

On Monday, October 18, 1999, a regularly scheduled Utah State Building Board monthly meeting was held at the State Office Building - Auditorium, Salt Lake City. The meeting was called to order at 1:00 p.m. by Chairman David Adams.

Utah State Building Board Members in attendance:

David Adams
Chuck Canfield
Mary L.C. Flood
R. Haze Hunter
Joseph Jenkins
Lynne Ward
Kay Waxman

Utah State Building Board Members excused:

Keith Stepan

Division of Facilities and Construction Management (DFCM) Staff in attendance:

Richard E. Byfield, Director
Robert Woodhead, Deputy Director
Alyn Lunceford
Kenneth Nye
Jack Quintana
Frank McMenimen
Kent Beers
Blake Court
Doug Bockstanz
Lynn Hinrichs

Other Guests in attendance:

Rep. Gerry A. Adair	-Utah House of Representatives
Gary E. Arnoldson	-Snow College
Bob Askerlund	-Salt Lake Community College
Gordon Bissegger	-Courts
Robert Brems	-USOE
Ned E. Carnahan	-Dixie College
Rosemarie Carter	-Dept. Of Workforce Services
John Drunis	-OWATC
Cecelia Foxley	-Board of Regents
Bo Hall	-WFS ATC

Bart Hopkin
John W. Huish
Raylene Ireland
R. Jones
Ardeth Kapp
Lynn Iemon
Leslie Marks
Dave Morrow
Wendell Morse
Wendell Morse
Prescott Muir
Carol Nixon
Dan Olsen
Rep. Loraine Pace
Brent Roberts
Ann Robinson
Lynn Samsel
Gordon Storrs
Norm Tarbox
Kevin Walthers
Dennis Weaver
Michael Wollenzien

-Department of Human Services
-University of Utah
-Department of Administrative Services
-UBATC
-This Is The Place Heritage
-Cache County
-Legislature Auditor General
-State Parks
-Utah State University
-Utah State University, Campus Planning
-Utah AIA
-This Is The Place
-Governor=s Office of Planning and Budget
-Utah House of Representatives
-UJVC
-Richardson Design
-Department of Human Services
-SLCC
-Board of Regents
-Legislative Fiscal Analyst Office
-State Parks
-USOR

① APPROVAL OF MINUTES

MOTION: Kay Waxman made a motion to approve the minutes from the State Building Board meeting held on September 2, 1999. The motion was seconded by Haze Hunter and was unanimously approved.

① CAPITAL BUDGET RECOMMENDATIONS

Chairman David Adams stated that during the Hearings, discussed recommending this year that no new buildings be built in the State of Utah. The Board would recommend certain projects for funding for programming of new buildings and that we would recommend projects that are replacement buildings or remodel, that would not include the addition of any new square footage. The intent was to use all general funds available to DFCM for the coming year for renovation and replacement. Other buildings included in the prioritization could be funded through G.O. Bonds. Any additional square footage of a building being renovated or replaced, other sources of funding would need to be sought.

Mr. Richard Byfield stated the essence of the recommendation would be to take all of the general fund dollars, which it is anticipated to be approximately \$57 million, and use

it for capital improvements, also known as AR&I. Second, that there be a general obligation bond for future projects that would be replacement or renovation. Any projects involving additional space would come through a business plan, funding would come from non-general obligation bonds and non-general fund dollars. An example: A portion of the USU Engineering Building involves repair or replacement of the current structure, which will be an item before the Building Board in the future, and the new space would need to be evaluated on its own merit and the goal would be that non-state funds would be used in order to provide the additional square footage.

Ms. Mary Flood reiterated what she thought was the Board=s intention, which was to stop adding liability of deferred maintenance. Ms. Flood said, *Use all of the money to maintain the buildings. When we have a growth state like we have, you can=t afford to not borrow money to fund the growth in new space, but use the general funds available to shine up our buildings.*@

Chairman Adams clarified that the discussion at the previous meeting did not preclude general fund obligation bonds.

Mr. Haze Hunter stated that the Board is concerned that the buildings are deteriorating and if we do not maintain those buildings, it will cost the tax payers more in the long run. Chairman Adams explained that five years ago, 17% of the short term projects was for replacement or major renovations, this year is 80%. More and more dollars are going for replacement of existing buildings without any additional square footage. Chairman Adams reiterated that in the past we looked at programming issues, and in order to help our customers by looking at all potential sources of funding outside of G.O. Bonds for the construction of those buildings. Mr. Joe Jenkins said that in the past it has been an idea that if the Building Board or Legislator gives programming dollars that guarantees there will a project forthcoming, and that is not his intention. Programming to him, simply means we are willing to give you a little bit of dollars to see the value of the project and if it does meet certain criteria and specifications, but in no way does it guarantee that you are going to have a project. It is often difficult to get general obligation bonds for programming dollars. Chairman Adams stated that the Board is trying to establish a business plan concept, and for all sources of potential revenue to build buildings are taken into account as part of that programming package, which now becomes a marketing and finance approach.

Mr. Richard Byfield indicated that the Legislature has taken the position that it wishes to fund design and construction as one number. Because when design is funded construction is obligated, therefore, creating pressure on future Legislative Sessions. There should be a financial strategy related to the viability of the project, as well as the

economics of the type of project that is constructed.

MOTION: Mr. Joe Jenkins made a motion to place as a number one priority, the entire base budget, which is about \$57 million, to go towards capital improvements and that \$1,750,000 of those be set aside for other projects. Haze Hunter seconded the motion.

MOTION RESTATED: Chairman Adams restated the motion, which is for the amount of money that we've used historically from general funds for capital projects, which totals to about \$60 million be utilized only for capital improvements, and of that amount \$3 million be reserved for programming funds. We will have further clarification and definition at the time those funds are budgeted for use. Mr. Byfield clarified that the \$3 million would be kept separate from the capital improvement and dedicated for business plan programming.

The latter restated motion was unanimously approved.

Kent Beers explained that the Board is proposing that they only recommend projects for funding that are to replace existing space or substantially renovate existing space. If a project is a combination of replacing or remodeling existing space and adding new space, the dollars for the new space will come from private funds or from some other type of funding source. The state funds would only go toward replacing or refurbishing existing space. Mr. Beers further explained the distribution of the document listing all of the requested projects.

Ms. Lynne Ward indicated that when the Governor goes through his process to make recommendations to the Legislature, the Governor's Office of Planning and Budget looks at existing state debt, what's outstanding and what's coming up. What we would like to get from the Building Board is not necessarily a recommendation for the type of financing but what the recommended priorities are. The first couple of years that Governor Leavitt was in office, we had a list from the Building Board of recommendations on cash funding, general obligation and revenue bonding, and we had a difficult time trying to decide if the number one priority, for example, if a lease had the same importance as the priority number under the G.O. Bond. Her office would like to see a single list, realizing that there are different type of funding and financing

for each project.

Mr. Chuck Canfield mentioned that he believes it is in the best interest of the tax payers, that we look at bonding as a funding source to take care of our needs right now, while the interest rates are low.

Chairman Adams stated that in 1965, the State of Utah issued \$100 million in G.O. Bonds for Higher Education Campus facilities. The rate was under 3%. That money today would \$800 million. This was probably one of the best decisions on investments the State has ever made. There are those in the banking community that recognize that as a very wise investment. The rates for G.O. Bonds is 4% at the present time. Chairman Adams suggest that consideration be given to some kind of a bond bank, where funds can be drawn out only as the legislature and the Governor desire, it would be revenue neutral so it complies with the various laws pertaining to holding bond funds for income. That those funds be locked up and used as needed for the next several years for capital development funding. Mr. Haze Hunter asked how much in debt was the State of Utah in right now. Mr. Kent Mitchie responded by saying that the State has two debt limits on its general obligation debt. The statutory debt limit, which does not include all debt, is \$806.6 million. The constitutional debt limit is \$2 billion, but we have \$1.2 billion outstanding. He would advise against taking the debt to the maximum limit.

The Legislature could deal with the statutory debt limit, but cannot change the constitutional limit, unless there is a constitutional amendment. At the present time for buildings, the amount available under the statutory limit is \$430 million. In addition to the general obligation capacity, the state also has a legitimate access to the market outside of G.O. Bond, and through lease revenue bonds. The limits there are contained on the statute. He does not recall what the amount is. A bonding package that the state might want to put together could contain a combination of G.O. Bonds matched with some lease revenue bonds, etc. Mr. Hunter asked about the average term for bonds. Mr. Mitchie stated that in the past the State has had bonds out to 20 years. The Utah Constitution limits state G.O. debt to 20 years from the date of authorization. In the past, terms have been issued for longer terms. During the Bangerter years, the bonds usually matured within seven year period. At the present time the state bonds that deal with buildings are scheduled to mature within six years.

Over the last couple of years, the state has issued transportation G.O. Bonds that go out to 15 years.

Mr. Ken Nye indicated that in having the state authorize an \$800 million package of bonds, Two issues are going to play a part, the actual authorization and the issuance of the bonds. The authorization could take place at one time. A possible limitation is if you want to issue tax exempt bonds, you need to comply with IRS requirements. There is a rule that bonds would need to be spent within three years of issuance. If a

project takes longer than three years to build, the engineer or architect would need to certify that it will take longer. Usage of those bonds after three years would be a yield restricted, the earnings of the investment of the proceeds of the bonds would have to be restricted to the yield of the bond.

MOTION: Chuck Canfield made a motion that in light of the economic conditions and in the growth of our state, the need for additional buildings must be addressed, we recommend that it be addressed through the principal of financing or bonding or whatever sources are available, in order to provide them at a minimum cost to the taxpayers and take care of the needs of the public.

SUBSTITUTE MOTION: Mr. Joseph Jenkins made a substitute motion that because of the amount of capital needs in the state of Utah, and because of the current low interest rates, we ask the Legislature and the Governor=s Office to evaluate the opportunity using good debt management practices, of issuing bonds into a bonding pool to be able to fund future capital development projects. Mary Flood seconded the motion. The motion was unanimously approved.

Chairman David Adams stated that if we keep going the way we are going there is not going to be any buildings built in the state of Utah. We either going to lease more buildings or renovate what we got, but we can=t spent 80% of \$100 million on renovation and have money left over for new buildings. We are addressing this issue in a form of a recommendation to the Governor.

Chairman Adams announced that the Utah State Board of Regents has made a revision on their priorities presented at the Hearing on October 5, 1999. Commissioner Cecelia Foxley stated that Dixie College is a high priority because of the life safety issues. The amount originally requested to fund this project was \$26 million and it is now \$19 million, Part of that amount, \$3 million, would come from private funds. The amount was reduced because the space was reduced. They then reran the Q and P formula which moved the Dixie College project into the second priority. The Regents have approved the revision of its priorities, making the Dixie College project its second priority after the USU Heat Plant/Infrastructure.

Chairman Adams referred to the first motion of the day, it=s intent was for the Board

to entertain projects that replace existing buildings on a square footage basis or rehabilitate, therefore, if additional square footage is programmed, the agency will need to find additional funds to pay for those improvements. Ms. Mary Flood stated that the Board=s goal is to keep our growth going and yet improve our infrastructure.

Before us, we have requests in the amount of \$105, 961,000 in renovation and replacement project. In addition to that we have \$42 million of new buildings. We also have programming requests that, if they are funded, could be another \$63 million of new, renovation, and rehabilitation buildings.

Mr. Jenkins stated that his understanding of the Board=s intent was that this year we were going to spend all of the general fund dollars (approximately \$60 million) on capital improvements and planning. We would then prioritize the requested projects and give that to the Legislature and the Governor=s Office. It was not his intention to completely eliminate every project that has new space. He believes that if the Board takes this action for this budget, without giving prior notice to the agencies, it is unfair.

He would prefer to put the agencies on notice and have it be effective next year. Ms. Kay Waxman stated that her understanding from the previous meeting was that all Board members were with agreement that we are faced with a huge potential problem down the road with maintaining buildings and that we would make that our number one priority, and have the Legislature or the Governor=s Office to review options of creating a fund that would address new buildings over a period of time.

MOTION: Kay Waxman made a motion that the Utah State Building Board recommends to the Legislature that any new square footage associated with any of the projects need to find funding outside the money that has been set aside for capital improvements and planning.

SUBSTITUTE MOTION: Mary Flood made a substitute motion by recommending a moratorium on capital development projects using state funds for new buildings, to allow us to renovate existing buildings.

These motions failed for lack of a second.

Mr. Jenkins indicated he opposed both motions. Mr. Chuck Canfield suggested recommending to the Legislature and Administration that these projects need consideration for funding from whatever source and we are voting in our priority of those projects and that the Board is recommending these projects.

Chairman Adams stated that what he believes the Board can agree on is to try to limit all funds that are available in the coming year to the projects that need replacement or a substantial renovation with no new space. In the further motion that was given, it was recommended that we ask the Governor and the Legislature to study the funding needs of the State of Utah pertaining to buildings and the current financial market, and consider placing a large amount of funds out on bonds, so that we can then meet and make recommendations to the Legislature on an interim basis perhaps. Approving the projects that are at hand, considering other funding sources that maybe available.

Commissioner Cecelia Foxley asked when you need to renovate a state-owned facility because it's dangerous, it no longer meets the need, it's crumbling. Do you renovate it in its existing size, even though the population which that building serves is much larger? She asked. That clearly would be the case for the Engineering Building at USU. She feels that to say a project that has any new space can't be on the list to get state support, is too strict. The message has been heard to get more private funds. Higher Education will continue to pursue this.

Ms. Lynne Ward stated that building a replacement facility, the incremental cost of adding additional space is far cheaper than adding space to accommodate growth. For example, the Youth Corrections - Washington County expansion, which was built in 1994, five years later, they are already double/triple bunking. Chairman Adams commented that he hopes that some of that discussion can come forth in a different approach to looking at our buildings, a business plan approach to determine what really is needed. We can address more of that as part of the programming.

MOTION RESTATED: Kay Waxman made a motion for the Building Board's recommendation to the Legislature be that the only money spent from general funding be designated for renovation or improvement, new square footage projects would receive funding from other sources.

This motion failed for lack of a second.

Mr. Haze Hunter indicated that he does not believe it to be prudent to replace, for example, the Fine Arts Center as it is now.

MOTION: Joseph Jenkins made a motion for the Building Board to recommend to the Legislature two categories of projects. 1) Projects that are critical and do not add any new space, and 2)

critical projects that may add new space.

This motion failed for lack of second.

Chairman Adams indicated that Carol Nixon had requested an opportunity to address a non-state funded project that was not presented at the hearings.

Ms. Carol Nixon stated that the 1998 Legislative Session passed legislation on the management of ~~A~~This Is The Place Heritage Foundation.@ While it is a state park it is privately managed through a non profit 501(c)(3) corporation. A management contract is in place with the Division Park and Recreation. With Utah=s Centennial, it added \$8-10 million worth of new buildings. Everything that has been done, has been accomplished with private donations, with the exception of the infrastructure. The revenues are up. A master plan is also in place. Ms. Nixon presented the Master Plan, it=s first phase is infrastructure. She requested approval from the Building Board for a revenue bond, the debt would be serviced by the income on the cars. Total cost for the project is \$1.5 million. This would bring the road below the monument and all of the parking would be east of the monument. It would give us 620 parking spaces. At the present time there are only 200 parking spaces. It is located across the street from the Zoo, whenever we don=t have special events, the Zoo uses the field as overflow parking. The plans are to pave it, landscape and then charge \$1 per car for parking. This is a non-state funded project. It is a revenue bonded project.

MOTION: Haze Hunter made a motion to recommend that the Board approve ~~A~~This Is The Place@ project as presented to the Board. Joe Jenkins seconded the motion. The motion was unanimously approved.

MOTION: Joe Jenkins made a motion to create a category of building projects to the Legislature that we define as critical and do not add any new square footage. In this category, two projects would be included, the USU Heat Plant and Infrastructure and the DHS State Hospital Rampton II. Mary Flood seconded the motion. The motion passed with a majority vote.

MOTION: Joe Jenkins made a motion to create a category of projects that need renovation and contain additional space. Also create another category, which are those projects the Board believes should be funded by other revenue sources, and for the Building Board to work with those agencies in finding those sources to

make them work. The projects identified in this category are the Bear Lake State Park and the Utah Field House of Natural History.

Chairman Adams indicated he viewed the Board as a mortgage broker, sitting between the customer and the funding source, and we try to find every single source of revenue that we can find in order to make these project work. That is the commitment that we are making to our customers today.

The Board members then individually ranked the projects that were being considered for this category. The rankings were tabulated, resulting in the following priority list.

Dixie College Fine Arts Building
DHS Youth corrections - Washington County
UVSC Classroom Addition
USU Engineering Building (Renovation/Addition)
DNR Utah Field House of Natural History
Public Education - Ogden/Weber ATC Maintenance Facility
DNR Bear Lake St. Park Campground
Weber State Chiller Plant
National Guard Vernal Armory
Public Education Addition to Deaf Center

MOTION RESTATED: Joe Jenkins restated the motion to recommend these projects in the priority order determined by this tabulation. This motion was seconded and approved.

MOTION: Joe Jenkins made a motion that the following projects be addressed from the money set aside for business plan and programming.

Capitol Preservation Board Strategic Planning
CEU Main Building Renovation
Snow College Performing Arts Building
Archives Building
Uintah Basin ATC Vernal Branch Campus

MOTION: Haze Hunter made a motion to approve the non-state funded

projects and transportation fund projects as presented to the Board. Mary Flood seconded the motion. The motion was unanimously approved.

The approved Capital Budget Recommendations are shown in the attached schedule.

① **ADMINISTRATIVE REPORTS**

University of Utah

John Huish reported that there is only one correction to report in the construction contract, which shows for PNT, a construction budget of \$5,490,000, that should be corrected to \$4,768,000. No critical items to report.

MOTION: Haze Hunter made a motion to approve the University of Utah=s report. The motion was seconded by Chuck Canfield and passed unanimously.

Utah State University

Wendell Morse reported a couple of architectural agreements and a new project listed, which is Natural Resources (self-funded) project.

MOTION: The report was unanimously approved.

① **AUTHORIZATION OF PROGRAMMING FOR
NON-STATE FUNDED PROJECTS**

Mr. Ken Nye stated that DFCM recommends that the Board approve the requests from Utah State University and Weber State University to proceed with programming for the Edith Bowen Renovation and Addition Project and the Stewart Stadium Expansion Project.

Mr. Wendell Morse stated that the Utah State University received notification of a \$9.5 million donation from the Emma Eccles Jones Foundation for renovation of the existing Edith Bowen School and an addition to that facility. USU requests the approval from the Building Board to select a firm to program the facility and an architectural firm to design the building pending Legislative approval.

Mr. Craig Hall requested the approval from the Building Board to begin formal planning

for the expansion of the stadium (30,000 sf) to include donor suites, concessions, restrooms, elevators, visiting coaches and media space. The cost of the project would be \$4.2 million, which would be contributed by the Stewart Foundation.

MOTION: Motion was made by Chuck Canfield to approve programming of the two non-state funded projects presented by the Utah State University and Weber State University. The motion was seconded by Kay Waxman and Haze Hunter, and passed unanimously.

① DELEGATION REQUESTS FROM WEBER STATE UNIVERSITY

Mr. Craig Hall requested the Building Board to approve the delegation to Weber State University on the Building One Remodel and the Resident Halls Roofing Projects. The cost of each project is approximately \$100,000 - \$150,000.

MOTION: Kay Waxman made a motion to approve the delegation of the Weber State University Remodel and Residence Halls Roofing Projects. Mary Flood seconded the motion. The motion was unanimously approved.

① AUTHORIZATION OF PROGRAMMING FOR REQUESTED
STATE FUNDED CAPITAL DEVELOPMENT PROJECTS

Mr. Wendell Morse explained Utah State University's request to proceed now with programming of the Heat Plant. He said that if creative approaches are not pursued, it is likely that they will need to keep the existing Heat Plant in operation for an additional year.

Superintendent Richard Jones reported that the Uintah Basin Applied Technology Center is in the preliminary planning stage of the construction of a branch campus located at Vernal. The land has been secured and needs master planning and assistance in program planning. The Uintah ATC Board has approved the expenditure of \$70,000 for architectural programming and planning.

MOTION: Joe Jenkins made a motion to approve programming and planning of the Utah State University Heat Plant and the Uintah Basin Applied Technology Center - Vernal Campus as presented

to the Board. Chuck Canfield seconded the motion. The motion was unanimously approved.

① REALLOCATION OF FY 2000 CAPITAL IMPROVEMENT
FUNDS FOR PARKS

Mr. Ken Nye explained the misunderstanding that had occurred with Parks and Recreation when the Board allocated these funds for the Willard Bay project.

MOTION: Mary Flood made a motion to reallocate the \$754,730 from Willard Bay to Deer Creek. Kay Waxman seconded the motion. The motion was unanimously approved.

① REALLOCATION OF FY 2000 CAPITAL IMPROVEMENT
FUNDS FOR THE DEVELOPMENT CENTER.....

Mr. Ken Nye stated that there was a question regarding the amount of federal match that could be achieved on the project. Since the funds were allocated, two issues have arisen; 1) the amount of federal match ended up being less than what was originally anticipated, 2) further analysis of the buildings identified other things that should be taken care of at the same time as the programmatic remodeling. The Department Human Services requested that, from the funding allocated to the Willow Creek and Raintree Remodeling projects (\$90,000 each), the amount of \$155,000 be reallocated to the Transitional Living Center remodel project. DFCM recommends that the remaining \$25,000 be reallocated to the Statewide Emergency Fund.

Chairman Adams asked Mr. Ken Nye to schedule a tour of some of the Human Services buildings next year.

MOTION: Lynne Ward made a motion to reallocate the funds as recommended by Ken Nye. Mary Flood seconded the motion. The motion was unanimously approved.

① SCHEDULE OF MEETINGS THROUGH 2000.....

Mr. Richard Byfield reviewed the proposed 2000 meeting schedule. A date to jointly meet with the Board of Regents has not been specified as of this date. The November/December meeting could be combined (November 16, 2000).

① ADMINISTRATIVE REPORTS FOR DFCM

No comments or questions regarding the summary of the administrative reports for DFCM submitted to the Board.

MOTION: Lynne Ward made a motion to approve the administrative report for DFCM. Haze Hunter seconded the motion. The motion was unanimously approved.

⌚ PBPS STATUS REPORT.....

Mr. Richard Byfield reported that Performance Based Procurement System is being used for the Salt Lake Community College selection procedure for architects and engineers. Other projects using Performance Based selection is the University of Utah Housing Phase II, Southern Utah University Physical Education Building, Corrections - Gunnison Dormitory, several roofing, paving, projects, a controls and custodial project. Mr. Byfield is making presentations to entities that wishes to understand performance based and presentation be made.

⌚ OTHER BUSINESS.....

Mr. Richard Byfield reported on the changes taking place at the U.P. Depot.

⌚ ADJOURNMENT

MOTION: Mary Flood made a motion to adjourn. The motion was seconded and unanimously approved. The meeting adjourned at 5:00 p.m.